

**701—65.18(452A) Sales tax charged if sale is exempt from fuel tax.** Under Iowa Code section 422.45(11), “The gross receipts from the sale of motor fuel and special fuel consumed for highway use or in watercraft or aircraft where the fuel tax has been imposed and paid and no refund has or will be allowed,” are exempt from the Iowa state sales tax. Therefore, unless the special fuel is used for some other exempt purpose under Iowa Code section 422.42(3) or 422.45 (e.g., used for processing, used for agricultural purposes, used by an exempt governmental entity, used by a private nonprofit educational institution), the refund or credit of taxes on special fuel will be reduced by the applicable sales tax. The sales tax will also be charged on all exempt sales of special fuel. (See sales tax rule 701—18.37(452A).) The sales base upon which the sales tax will be applied shall include all federal excise taxes, but will not include the Iowa motor vehicle fuel tax. *W. M. Gurley v. Army Rhoden*, 421 U.S. 200, 44 L.Ed. 110, 95 S.Ct. 1605.

This rule is intended to implement Iowa Code sections 422.45(11), 422.52(4), 452A.34 and 452A.71.